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Strawberries

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Report Highlights:

China's fresh strawberries production is forecast to decrease 30 percent to 646,000 metric tons in 2006 due to the decreased planted area. Frozen strawberries production is forecast to decrease 10 percent to 82,500 metric tons because of the Europe Union's safeguard investigation and the rising price of fresh strawberries. Frozen strawberries imports in 2006 are forecast to increase 20 percent because of decreased local production and the resultant higher fruit price.

Includes PSD Changes: No
Includes Trade Matrix: No
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[CH]

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Production

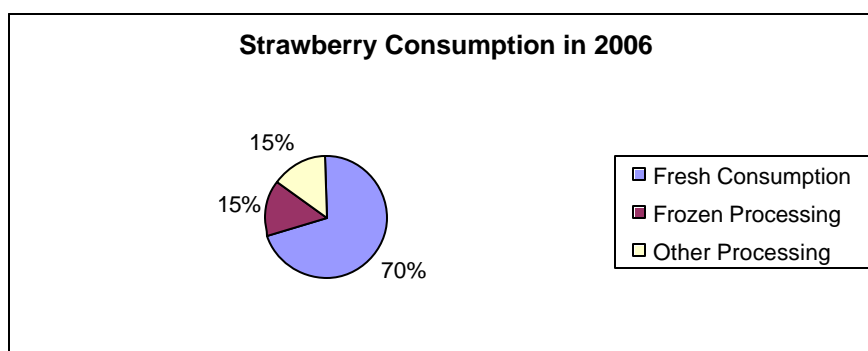
Industry sources indicate that China's strawberry planted area in 2005 (marketing year that begins January 2006) decreased about 30 percent from 2004 because: 1) a shortage of plants that resulted from the unfavorable weather during the seedling period; 2) some strawberry growers shifted to other crops in 2005 because of marginal returns in 2004; and, 3) a low survival rate of field plantings as a result of the unusually hot weather in some major planted regions, such as Jiande in Zhejiang Province. Therefore, Post forecasts production in 2006 will decrease 30 percent to 646,000 metric tons.

Strawberries are planted three different ways in China: 1) greenhouse, 2) plastic sheds, and 3) open field. Fresh strawberries are available from January to June. The major strawberry producing provinces in China are: Hebei, Shandong, Liaoning and Sichuan Province.

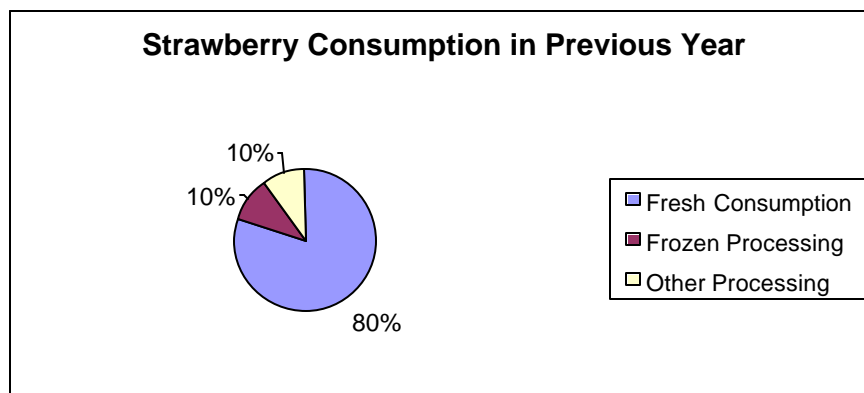
Frozen strawberry production, however, will not decrease in tandem with fresh strawberries because usually frozen production only consumes about 10 percent of total fresh strawberry production. This leaves sufficient supplies for processing. Post forecasts frozen strawberry production will decrease 10 percent to 82,500 metric tons¹ in 2006 because of uncertain market demand, especially export demand. The uncertainties come from an anti-dumping investigation initiated by the Europe Union (EU) on imports of frozen strawberries from China since July 2005. The rising price of China's frozen strawberries because of the higher fruit price will also decrease frozen strawberry's exports. The major frozen strawberry producing provinces in China are Shandong and Liaoning Province.

Consumption

Reduced fresh strawberry production is expected to increase the price, which will dampen fresh strawberry demand and consumption. More strawberries will be delivered to processors, where they will be frozen, and made into juice, jam and wine. Post forecasts 70 percent of strawberries will be freshly consumed, and 30 percent will be processed in 2006, while the percentage between fresh consumption and processing in previous years is 80 percent via 20 percent.



¹ There is no official data on frozen strawberries production in China, the number is estimated by Post based on industry resources. Information on fresh strawberries production comes from local associations.



Frozen strawberry consumption in China is expected to increase rapidly in coming years due to the increased use of strawberries in the dairy and bakery sectors. Based on Post's market intelligence, most of the imported frozen strawberries are processed into freeze-dried strawberries and re-exported, not consumed in China.

Trade

Imports: China's frozen strawberry imports are forecast to increase 20 percent to 14,500 metric tons in 2006 based on the expectation of reduced domestic production. In 2005, China's imported frozen strawberries are estimated at 12,080 metric tons, up 10 percent from the previous year. In the first nine months of 2005, China imported 4,843 metric tons of frozen strawberries from Chile, accounting for 54 percent of China's total imports, followed by Morocco (2,429 metric tons), and Argentina (1,439 metric tons). Although imports from the United States increased 164 percent to 54 metric tons from the same period of 2004, it is still a very small quantity compared to the record 3,797 metric tons imported in the same period of 2003.

China's Customs statistics shows that, in the first nine months of 2005, U.S. frozen strawberries fetched the highest price— US\$2.61/kg, while the average price was only US\$0.51/kg, 45 percent less than the same period of 2004. Some Chinese importers will pay a premium for high quality U.S. strawberries, but the high price limits the import volume. Industry sources attribute the price decline in the international market to large frozen strawberry stocks in South America and Europe (especially Poland) in 2004.

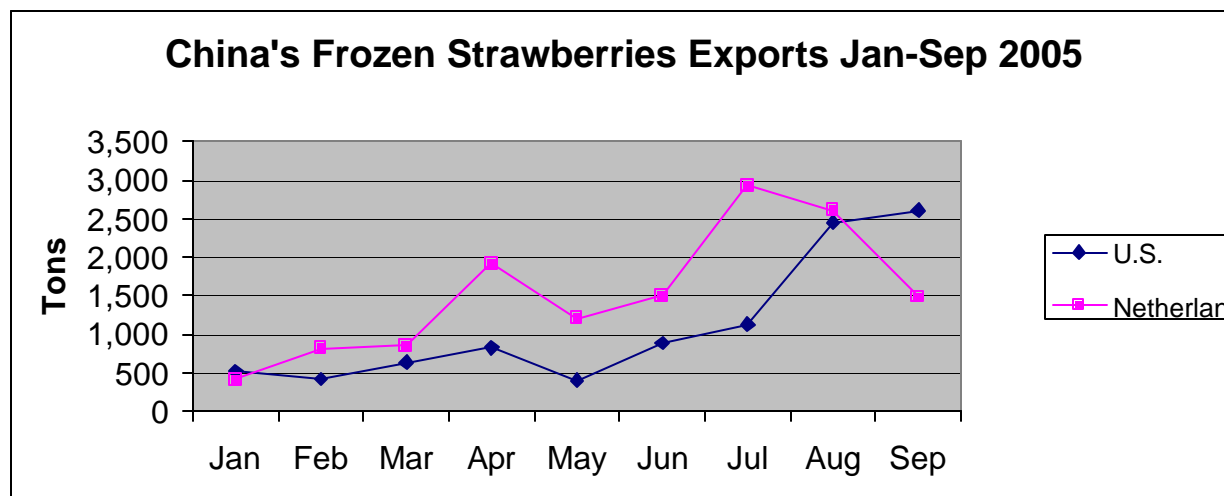
China does not allow fresh strawberry imports.

Exports: China's frozen strawberry exports are forecast to decrease about 10 percent to 86,330 metric tons in 2006 because of the anti-dumping tariff that might be imposed by the EU, and the rising price of China's frozen strawberries due to the higher fruit price will also weaken their competitiveness. In the first nine months of 2005, China's volume of exported frozen strawberries totaled 74,540 metric tons, up 30 percent from the same period of 2004. The Netherlands (13,745 metric tons), Japan (11,251 metric tons) and the United States (9,878 metric tons) are the top three markets.

The rapidly increasing exports make China one of the major frozen strawberry suppliers in the world, which has brought problems to the industry. On 6 July 2005, the EU published a notice of initiation of a safeguard investigation concerning imports of frozen strawberries from the Chinese Mainland and Morocco. The investigation comes about pursuant to a complaint lodged by Poland, which is said to be concerned that such imports could endanger its domestic production. The product in question is strawberries, uncooked or cooked by

steaming or boiling in water, frozen, whether or not containing added sugar or other sweeteners. Such strawberries are currently classified within HS codes 0811.1000. The investigation should be concluded within nine months, but may be extended two months.

Frozen strawberry exports to the United States increased substantially in the first nine months of 2005, up 215 percent from the same period 2004. The largest increase happened in August and September, 2,451 metric tons and 2,614 metric tons respectively were exported to the United States; while average exports of frozen strawberries to the United States in first seven months of 2005 were only 688 metric tons. This export surge was caused by the EU's initiation safeguard investigation discussed earlier, which made Chinese exporters shift to expanding their market share in the U.S. market.



China has maintained its leadership in Japan's frozen strawberry market in 2005, accounting for more than 60 percent of Japan's frozen strawberries market (in terms of volume), while the United States supplied about 20 percent of Japan's frozen strawberries. China's low cost strawberries make it difficult for other countries to compete in the Japanese market. For more information on Japan's strawberry market, please refer to GAIN Report JA5066, which is available at:

<http://www.fas.usda.gov/gainfiles/200510/146131303.pdf>

China exported 2,354 metric tons of fresh strawberries in the first nine months of 2005, up 113 percent from the same period of 2004. Strong demand from Hong Kong market drove this surge of exports. Hong Kong is the largest market for China's fresh strawberries, accounting for about 90 percent of total exports. Strawberries' perishability and China's low preserving technology limit fresh strawberry exports.

	H.S. Code	Imp. Duty (%)		VAT (%)		Rebate (%)	
		2004	2005	2004	2005	2004	2005
Strawberries (fresh)	08101000	22.7	21.3	13	13	N/A	5
Strawberries (frozen)	08111000	30	30	13	13		5

Marketing

In China, it is difficult for U.S. frozen strawberries to compete with products from other countries in freeze-dried strawberry processing, because their price is triple that of their nearest competition. Low price makes Chinese products competitive in the international market; China will lose its competitiveness if it uses U.S. frozen strawberries to process freeze-dried strawberries for exports. Therefore, high-end demand from domestic consumption presents market opportunities for U.S. frozen strawberries in China, such as five star hotels and western restaurants. Generally speaking, China is more of a competitor than a market for U.S. frozen strawberries, especially in Japan and the EU.

Statistic Tables

Table 1. Fresh strawberries PSD table

PSD Table							
Country	China, Peoples Republic of						
Commodity	Strawberries, Fresh				(HA)(MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	0	66700	0	70000	0	53850	(HA)
Area Harvested	0	66700	0	70000	0	53850	(HA)
TOTAL Production	0	800000	0	840000	0	646000	(MT)
Imports, Fresh	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	0	800000	0	840000	0	646000	(MT)
Exports, Fresh	0	1250	0	2640	0	2200	(MT)
Domestic Fresh Market	0	640000	0	672000	0	452200	(MT)
For Processing	0	158750	0	165360	0	191600	(MT)
TOTAL UTILIZATION	0	800000	0	840000	0	646000	(MT)

Table 2. Frozen strawberries PSD table

PSD Table							
Country	China, Peoples Republic of						
Commodity	Strawberries, Frozen				(MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Deliv. To Processors	0	80000	0	100800	0	87655	(MT)
Beginning Stocks	0	0	0	0	0	0	(MT)
Production	0	72000	0	90720	0	82500	(MT)
Imports	0	10985	0	12080	0	14500	(MT)
TOTAL SUPPLY	0	82985	0	102800	0	97000	(MT)
Exports	0	75967	0	94960	0	86330	(MT)
Domestic Consumption	0	7018	0	7840	0	10670	(MT)
Ending Stocks	0	0	0	0	0	0	(MT)
TOTAL DISTRIBUTION	0	82985	0	102800	0	97000	(MT)

Table 3. Frozen strawberries exports in volume by quarter

China strawberries exports, frozen, HS: 0811.1000					Metric tons		
Country	1st Qtr 2004	2nd Qtr 2004	3rd Qtr 2004	4th Qtr 2004	1st Qtr 2005	2nd Qtr 2005	3rd Qtr 2005
Netherlands	364	4,001	7,325	2,044	2,079	4,633	7,033
United States	289	1,215	1,630	2,242	1,572	2,115	6,191
Japan	2,311	2,832	5,023	4,044	2,988	3,646	4,617
Germany	319	1,499	4,864	1,829	2,275	2,161	4,338
France	0.06	1,932	1,455	646	815	1,470	1,914
Belgium	116	615	1,463	358	609	929	1,390
Canada	66	1,383	1,031	652	824	1,277	1,380
Australia	403	833	1,594	1,197	1,096	930	1,217
Korea, South	68	1,685	1,198	720	100	1,432	1,191
Italy	1	329	1,131	485	507	587	976
Saudi Arabia	122	569	1,986	1,156	637	269	840
Thailand	0	74	485	335	146	351	815
United Kingdom	0	611	1,022	457	456	167	764
Russia	108	193	122	189	298	185	592
Others	464	1,452	3,314	2,115	2,212	2,264	2,252
Total	4,632	19,223	33,642	18,469	16,614	22,415	35,511

Table 4. Frozen strawberries imports in volume by quarter

China strawberries imports, frozen, HS: 0811.1000					Metric tons		
Country	1st Qtr 2004	2nd Qtr 2004	3rd Qtr 2004	4th Qtr 2004	1st Qtr 2005	2nd Qtr 2005	3rd Qtr 2005
Morocco	94	261	1,484	538	0	428	2,001
Argentina	375	93	0	1,622	1,173	97	169
Chile	1,601	1,146	316	489	3,252	1,436	155
Netherlands	0	0	0	0	0	0	94
France	0	1	1	2	1	2	48
United States	1	0	19	24	0	29	25
Egypt	0	1,776	124	46	0	0	0
Others	325	24	379	245	23	23	0
Total	2,395	3,301	2,323	2,966	4,449	2,014	2,493